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Date 6/20/97

Surname [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
MAY 15 1997

Dear Applicant,

This is in response to your Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, as supplemented by information submitted with your letter dated January 30, 1997.

You were incorporated on July 20, 1994 under the non-profit corporation statutes of [REDACTED] for the purpose of "production of media events to promote the arts." You indicate that your "mission" is to serve as a vehicle to ensure (sic) that all nonprofit arts organizations within the [REDACTED] region receive an equal voice and equal visibility to the residents, tourists and consumers who live in, and visit, the [REDACTED]. To achieve this mission you intend to communicate and disseminate information on the arts utilizing the prevailing technology and electronic media that are most current and accessible to the average consumer. You indicate that technology is the vehicle to promote the arts organizations, and the least expensive and most widely used currently is the Internet.

To date your income has been derived from a contract with another nonprofit organization under which you provided technical services essential to the development of kiosks which provide information about the arts, and an arts calendar, in video format to residents of, and visitors to the [REDACTED]. In a budget you submitted, you anticipate deriving income from development of Web Pages for other not-for-profit organizations, and from an arts calendar. You indicate you are committed to creating Internet Web Pages for every non profit arts organization in the [REDACTED] on a cost basis, and you indicate you are committed to securing philanthropic grants and contracts to achieve this goal. You have submitted not evidence, however, which indicates a commitment from a philanthropic organization to provide support to you.

Sections 501(a) and 501(c)(3) of the Code provide, in part, for the exemption from federal income tax of corporations organized and operated exclusively for charitable purposes.

RE: [REDACTED]

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that to be exempt under section 501(c)(3) of the Code an organization must be organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(e)(1) of the Regulations provides that an organization may meet the requirements of section 501(c)(3) of the Code although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business as defined in section 513 of the Code.

Revenue Ruling 71-529, 1971-2 C.B. 235, considered the qualification for exemption under section 501(c)(3) of an organization whose specific purpose was to aid organizations exempt from federal income tax under section 501(c)(3) by assisting them to manage more effectively their endowment or investment funds and obtaining contributions to cover part of the costs of the management of such funds, or to provide supplemental income or capital to be used for the charitable purposes of such organizations. The applicant organization made its services available only to the organizations exempt under section 501(c)(3) which controlled it. Most of the operating expenses of the organization were paid from grants from independent charitable organizations, and member organizations paid a fee representing fifteen percent of the total costs of the operation. The applicant organization was held to qualify for exemption under section 501(c)(3) under these facts.

Revenue Ruling 72-369, 1972-2 CB 245, reaches a different conclusion. The applicant in that case was formed to provide managerial and consulting services for nonprofit organizations exempt from federal tax under section 501(c)(3) to improve the administration of their charitable programs. In this case the services were pursuant to agreements with unrelated nonprofit organizations and fees were established at cost. In holding the applicant was not qualified under section 501(c)(3) the ruling stated "Providing managerial and consulting services...for a fee is a trade or business ordinarily carried on for profit. The fact that the services in this case are provided at cost and solely for exempt organizations is not sufficient to characterize this activity as charitable within the meaning of section 501(c)(3) of the Code. Furnishing the services at cost lacks the donative element necessary to establish this activity; as charitable."

RE: [REDACTED]

The providing media services of the type you describe in your application is an activity pursued by commercial enterprises for profit. Such an activity may be exempt only if the activity serves a charitable goal. Merely providing services at cost lacks the donative intent necessary to distinguish charitable activity from ordinary commercial activity.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and you must file federal income tax returns.

Accordingly, you do not qualify for exemption as an organization described in section 501(c)(3) of the Code and you must file federal income tax returns.

Contributions to you are not deductible under section 170 of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement.

If you do not protest this ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key district office. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate State Officials will be notified of this action in accordance with Code section 6104(c).

RE: [REDACTED]

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
[REDACTED]
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

[REDACTED]
[REDACTED]
Chief, Exempt Organizations
Technical Branch 5

CC: [REDACTED]

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]					
Date	5/15/97	Jan 8/60/97					